Answers to questions taken on notice
Inquiry into the performance of the Australian telecommunications regulatory regime

Public Hearing – Wed 4 May 2005

1. **What does Telstra charge to port a DSLAM - $90 as suggested?**

   Telstra charges a connection fee associated with the disconnection of the existing copper path from its own equipment, reconnection of it via a new connecting cable to the Telstra Wholesale customer's equipment, which is generally co-located in a Telstra exchange, followed by the jumpering of an additional cable back to the Telstra equipment to ensure the underlying voice PSTN service operates.

   The price for the work that needs to be done – ie, disconnection, followed by reconnection and then the jumpering of an additional cable is $90.00, which represents an under-recovery of Telstra's costs for the activity, as determined by TSLRIC (Total Service Long Run Incremental Cost) pricing methodology.

   (Note that a DSLAM itself is not ported. In answering the question we have described a port from a Telstra DSL service to a Line Sharing service connected to a customer DSLAM.)

2. **Telstra does not offer any volume discounts for bulk transfers of customers, so it costs the same per unit to transfer one customer to another DSLAM as it costs to transfer, say, a thousand. Can I check whether that is accurate?**

   Where the migration of multiple services is involved, the physical exchange work that needs to be done to complete each transfer is the same as the work for one service, i.e the disconnection of the existing copper path from its own equipment, followed by reconnection of it to the Telstra Wholesale customer's equipment, followed by the jumpering of an additional cable back to the Telstra equipment to ensure the underlying voice PSTN service operates – making the work required to transfer a number of services a simple multiple of that done for one. Where efficiencies from performing multiple orders in a particular exchange are realised (such as reduced traveling times for field staff), these cost savings are passed on to the Access Seeker.

   Although the jumpering work is manual, and cannot be automated, Telstra Wholesale does enter into commercial arrangements based on volumes, where it passes on the benefits of the efficiencies gained. Actual pricing for the service, when part of a commercial deal, is bound by customer confidentiality arrangements

3. **Would the prices you decide to quote for backhaul services into a region be representative of the cost that Telstra incurs when it utilises backhaul services to these regions to supply its own services?**

By "backhaul" we assume the question is referring to the Telstra Wholesale Transmission service.

Elements of the infrastructure used to deliver the Wholesale Transmission service are common to the infrastructure that is used to deliver a broad range of wholesale and retail products.

The costs of the common product delivery infrastructure, as determined by Telstra's management accounting systems are used by both wholesale and retail business units in setting prices for products. The cost inputs for the common infrastructure are consistent for both wholesale and retail products.

Of course different products have differing utilisation of the common infrastructure and also have product specific infrastructure components. In addition, the cost base of every product includes a range of operational, sales, marketing and overhead costs, depending on the nature of the product and the market segments to which it is sold.

Cost inputs are one of many inputs to the final price at which a product is sold. Other inputs include the size of the current and future market for the product, the geographical spread of demand for the product, the nature of the customer segments to which the product is sold, the maturity of the product and the sales channel used to deliver the product to market.

The costs underpinning the provision of Wholesale regional transmission services, while based on complex calculations, are broadly determined by the length of the route, and the bandwidth of the link or links involved.

Costs for the combinations of these factors are the main input, but requirements for all transmission links are also assessed in the context of the existing available capacity on the route coupled with the growth rate of bandwidth consumption, and the need to bring forward additional investment because of the new requirement at hand.

In the case of specific geographic wholesale requirements, additional factors such as committed growth rates in the route bandwidth, other associated current and future committed transmission requirements, additional non-transmission business, and term of the contract can also influence the pricing.

When calculating the cost both retail and wholesale traffic volumes are taken into account. Therefore prices for regional transmission particularly on long routes that carry relatively little traffic are very significantly higher than on routes that carry high volumes of traffic.

Telstra Wholesale usually offers access to transmission at route specific prices – so that its customers benefit from lower prices on offer on shorter haul, high volume routes, but also so that its prices reflect the cost of servicing a specific region.

Telstra BigPond offers broadband ADSL services, where they are available, at the same price to city, metropolitan, regional and rural customers, irrespective of where they live, delivering tangible benefits to people living across Australia, and particularly in rural and regional Australia. Importantly, Telstra Wholesale provides a wholesale ADSL service at a consistent price across regional Australia, which means that ISPs wishing to service a region have the choice of reselling Telstra ADSL where available, at an affordable price to all regional end users, and at a price which enables them to compete with Telstra's retail ADSL service.

4. **Are you able to provide to the committee detailed information about where you have dark fibre in Australia?**

Telstra has over 3.6 million kilometres of optical fibre in its network connecting the majority of population centres, and these contain varying degrees of dark fibre, from none or very little in some cables to fairly large proportions in other cables.

5. **Does Telstra currently provide telephony services over the HFC?**

Telstra does not provide telephony services over the HFC cable asset. However as Telstra provides broadband via the HFC, some customers may use this to access VOIP services.

6. **a.) Can I get some further clarity on the relationship with Foxtel?**

Telstra owns 50% of Foxtel in partnership with News Ltd (25%) and PBL (25%). It has four seats on the Foxtel Board, including the right to appoint the Chairperson. Telstra also provides a number of services to Foxtel on a contracted, fee-for-service basis that include : carriage of the Foxtel service on Telstra's cable; installation services for new Foxtel customers and technical support services for existing Foxtel customers on Telstra's cable; and, operation of the subscriber management system (SMS) for Foxtel.

b.) Who owns the HFC and the content?

Telstra owns one of the cable networks over which the Foxtel service is carried and Optus owns the other. Foxtel acts as the content aggregator for its Pay TV service. Foxtel has contracts with a range of third-party content providers for full channels or content, and Foxtel also produces some of the content itself. Telstra does not directly participate in, or own any of, the content provided as part of the Foxtel service.

c.) How does that interrelationship work?

There is no interrelationship between the cable and the content. The interrelationship between Telstra and Foxtel is three-fold: first, as a part owner, Telstra participates on the Board of Foxtel; second, as a contract service provider, Telstra provides services to Foxtel; and third, through a reseller agreement, Telstra resells Foxtel's service through its own channels.

7. **a.) How much does Telstra spend in complying with the accounting separation regime?**

In implementing the extensive accounting separation requirements to date and to manage ongoing compliance, Telstra has incurred, and continues to incur, costs associated with internal staff resourcing and administration costs, external consultants and systems changes.

We estimate that since June/July 2003 when the ACCC issued the initial accounting separation Record Keeping Rules, between $7m and $9m has been spent, including:

- Approximately $2m in systems development costs required for limb 1 (current cost accounts) and limb 3 (service equivalence metrics);
- between $4m and $5m in internal staff costs;
- between $1m and $2m on external consultants including lawyers, economists and auditors.

In addition, there would be costs associated with administration, public relations, maintaining the Telstra website on accounting separation, front of house queries etc.

These costs do not include an assessment of time spent on limb 4 – the corporate competition report which the ACCC is progressing.

b.) How many staff do you need to dedicate to that?

Each quarter, approximately 20+ internal staff are involved in the preparation of the accounting separation reports, although they will spend varying amounts of time on it – anywhere from 10% to 80% of their work load.

8. **On notice, can you provide the committee with the current maps of the local calls for the five main metropolitan areas and also for the White Pages boundaries for the metropolitan areas?**

Local Call Maps
The attached maps are indicative of the local call areas of the five metropolitan areas. Calls made within the inner metro charge zone (orange coloured) and between the inner metro zone and the adjacent outer metro charge zones (white coloured) are untimed local calls. Calls between the inner metro charge zone and urban fringe zones (in the second band of orange shading) can be charged at a Wide Area Call rate if a customer elects to take up this option.

Adelaide   Brisbane   Melbourne   Perth   Sydney

White Pages Directory Boundaries
Sensis does not produce maps indicating its White Pages Directory distribution boundaries, however attached below are maps indicating the metropolitan

distribution of the Yellow Pages Directory which are the same as for the White Pages.

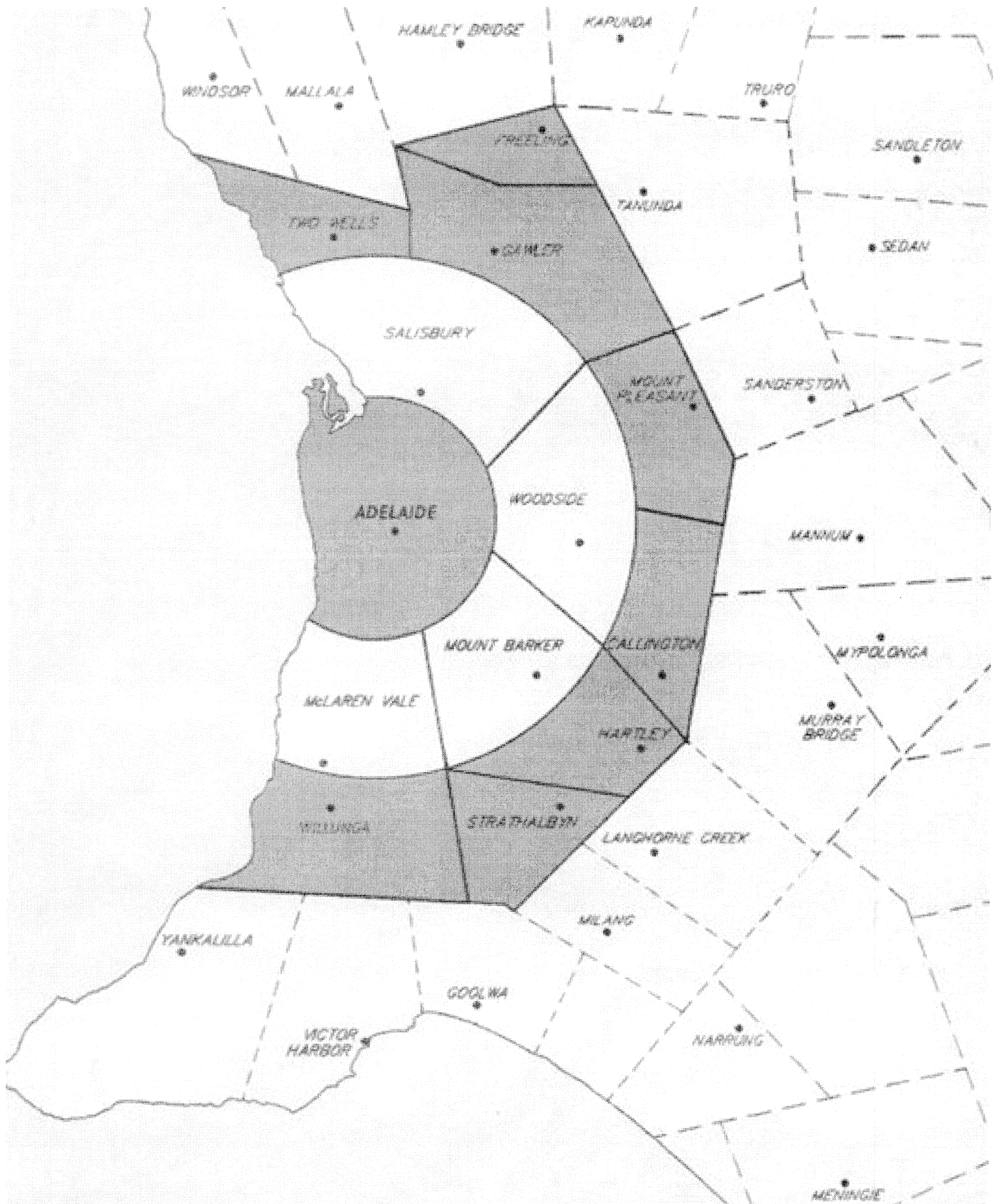| Adelaide	Brisbane	Melbourne	Perth	Sydney

In addition to the answers provided above, Telstra would like to clarify its response to the question asked by Senator Conroy on whether people need to actually apply for an ADSL service to find out if they can obtain an ADSL service.
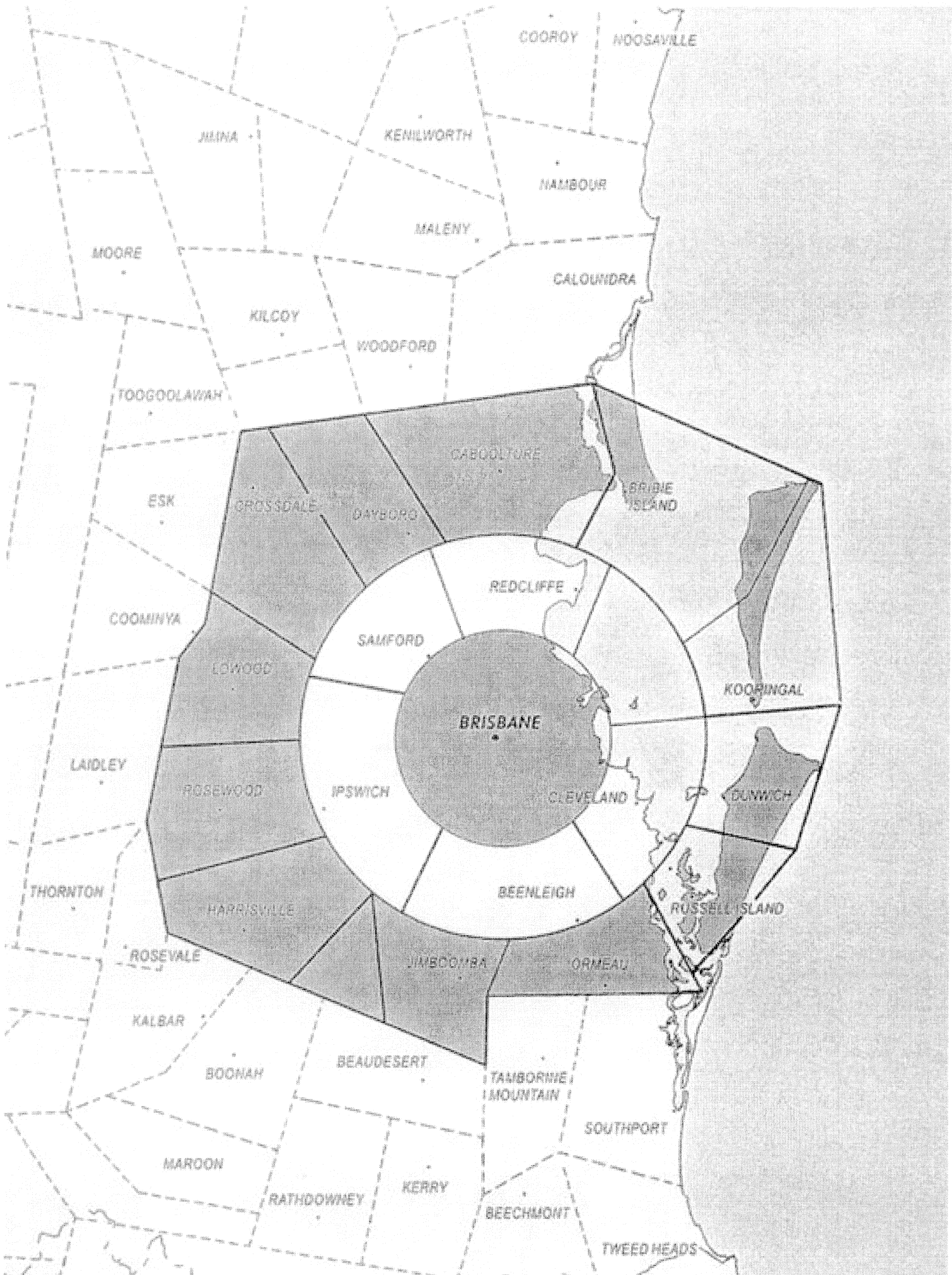
It was stated that an order was not required to determine if ADSL was available on their service. This is certainly the case for most customers wanting to check if their line can support ADSL. A consultant can check to determine whether the service is in an exchange enabled area, within the distance limits and that their line is free of potential blockers, such as access line electronics. All ISPs use this same Service Qualification process for both retail and wholesale customer applications.
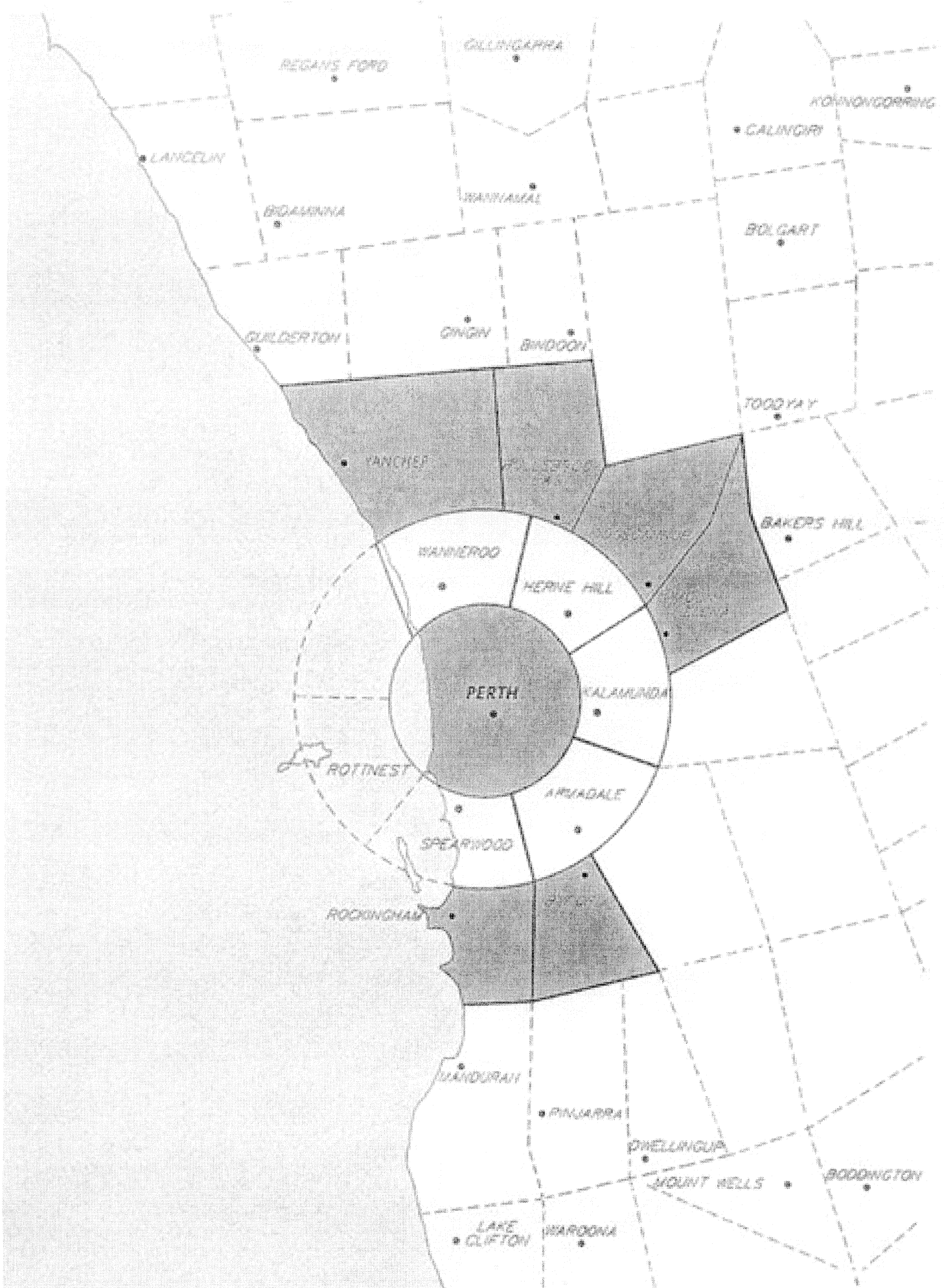
In cases however where the line is provided via access line electronics, an ADSL order is required to be taken to allow the local Telstra network configuration to be checked for alternate ADSL capable options.
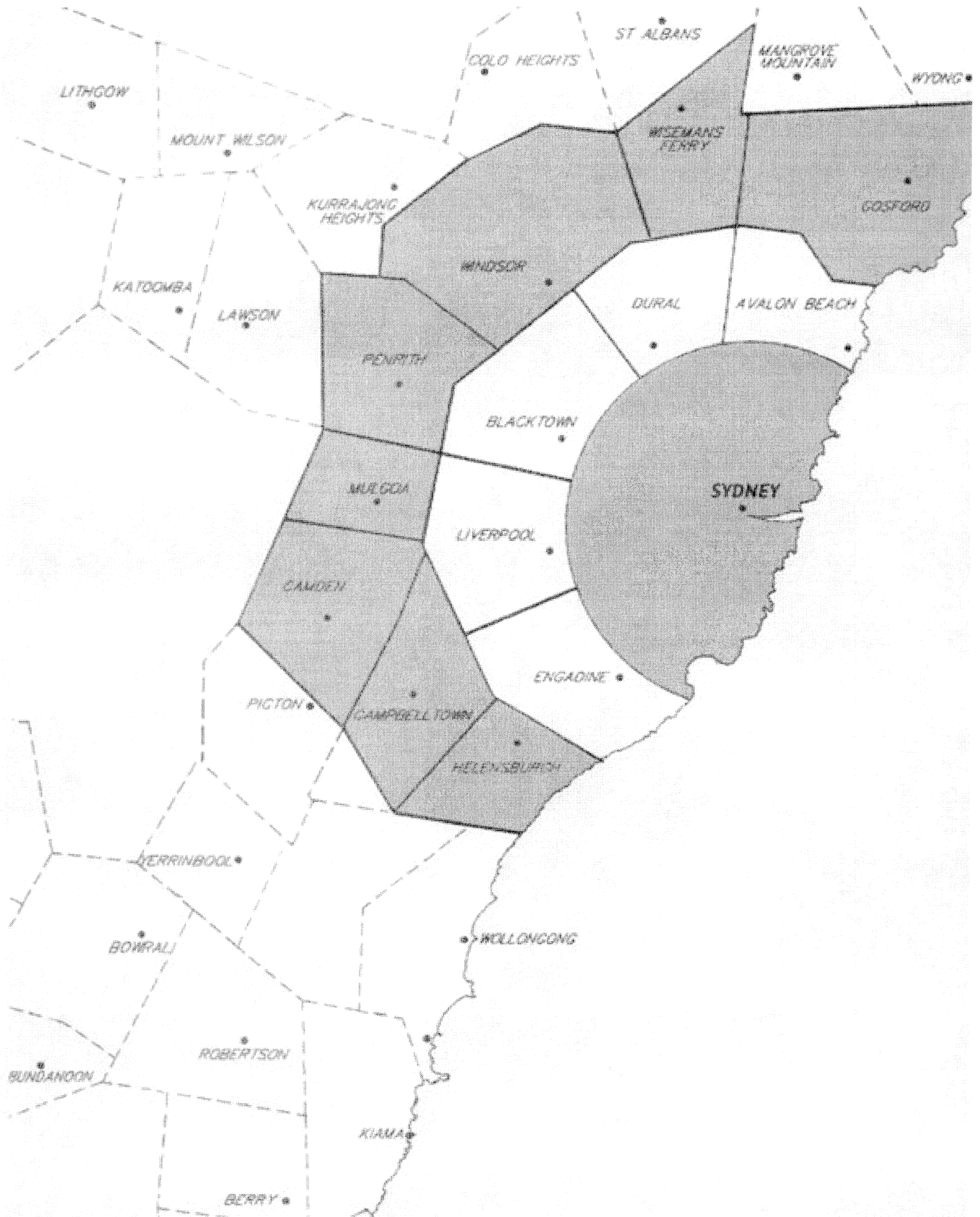
This more detailed investigation is undertaken by Telstra Infrastructure Services expert technical staff once an order has been received. This work is done automatically, and is free of charge for both retail and wholesale customers.

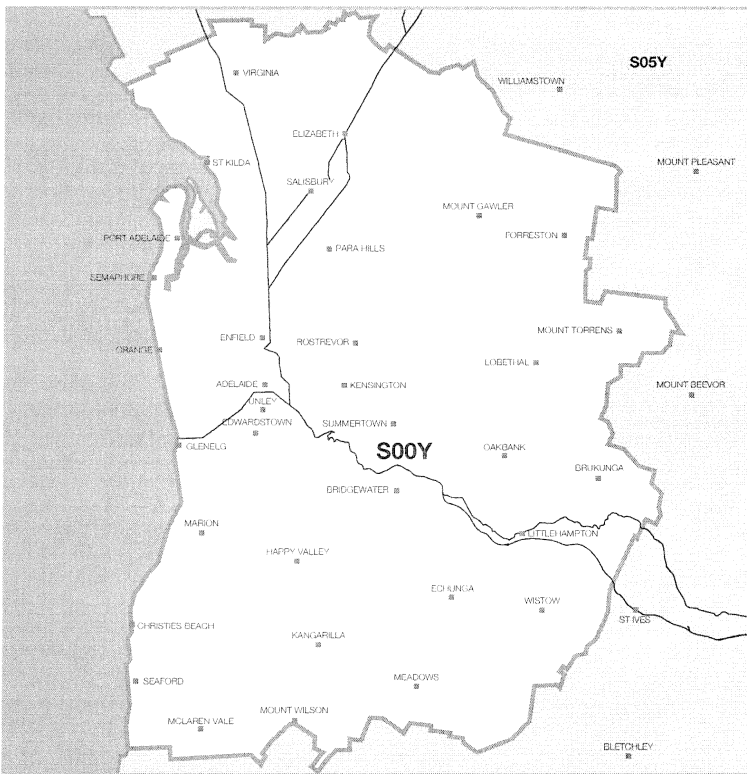It is important to note that customers can cancel their order at any time prior to provisioning, without penalty.
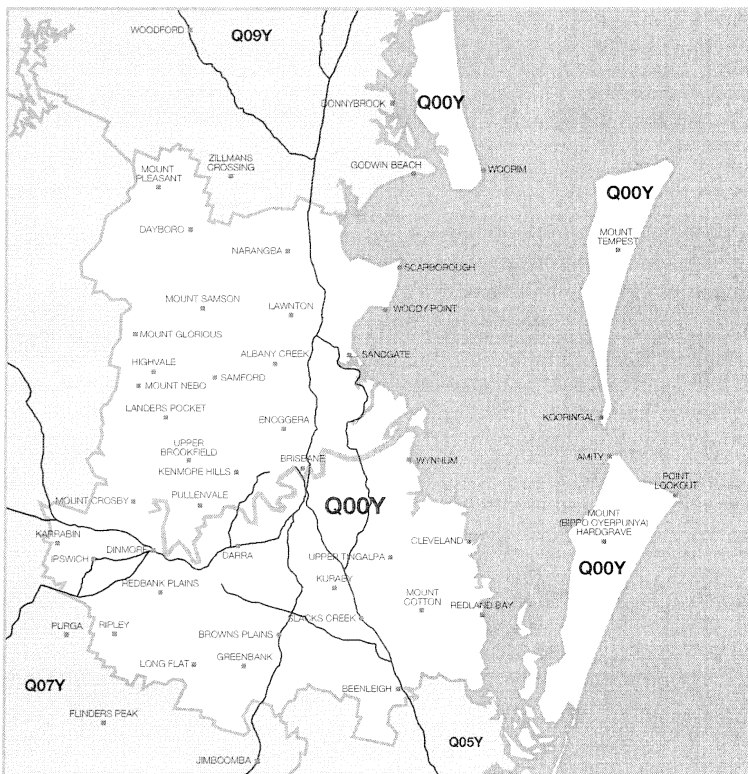
HAMLEY BRIDGE · KAPUNDA

WINDSOR · MALLALA · TRURO

SANDLETON

FREELING

TWO WELLS · TANUNDA

SEDAN

GAWLER

SALISBURY

MOUNT PLEASANT · SANDERSTON

ADELAIDE

WOODSIDE · MANNUM

MOUNT BARKER · CALLINGTON · MYPOLONGA

McLAREN VALE · MURRAY BRIDGE

HARTLEY

WILLUNGA · STRATHALBYN · LANGHORNE CREEK

YANKALILLA · MILANG

GOOLWA · NARRUNG

VICTOR HARBOR

MENINGIE

REGANS FORD

GILLINGARRA

KONNONGORRING

CALINGIRI

LANCELIN

BROADINNA

BINNIAMIL

BOLGART

GUILDERTON

GINGIN

BINDOON

TOODYAY

YANCHEP

BAKERS HILL

WANNEROO

HERNE HILL

PERTH

KALAMUNDA

ROTTNEST

ARMADALE

SPEARWOOD

ROCKINGHAM

MANDURAH

PINJARRA

DWELLINGUP

BOODDINGTON

MOUNT HELLS

LAKE CLIFTON

WAROONA

Yellow Pages®

S00Y Adelaide

2005/2006

- Sensis – Adelaide's No.1 information and search network[1]

- Get more reach. Get more value with Yellow Pages® advertising[2]

- Be found by people in the market to buy[2]
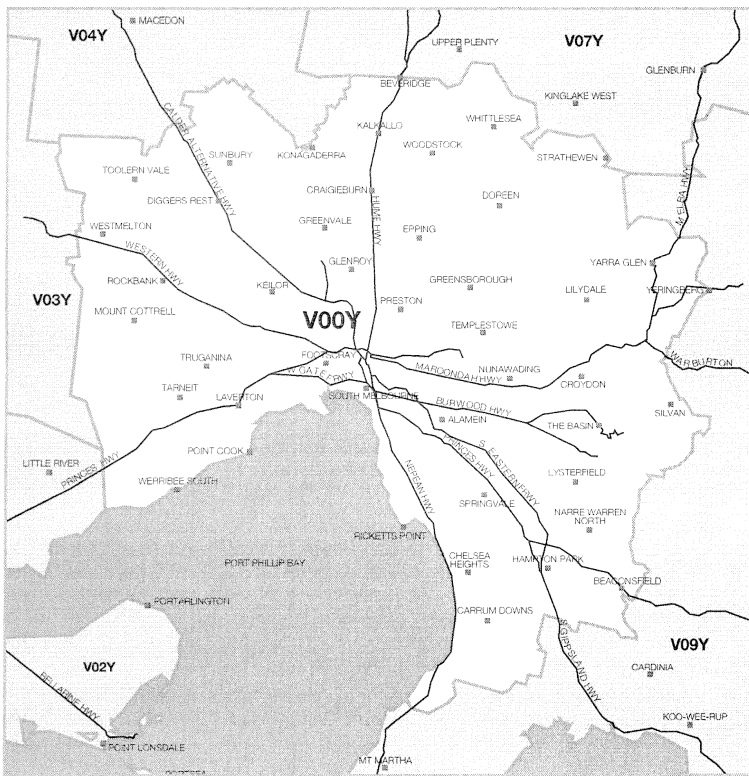
Yellow Pages®

Market Information

Q00Y Brisbane

2005/2006

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- Get more reach. Get more value with Yellow Pages® advertising[2]

- Be found by people in the market to buy[2]

1. Based on a survey of which information source Australians used most often when looking for a supplier of products or services. 2. See overleaf for details. Map included for illustrative purposes only and is not to scale, used under licence from Universal Press Pty Ltd.

Yellow Pages®
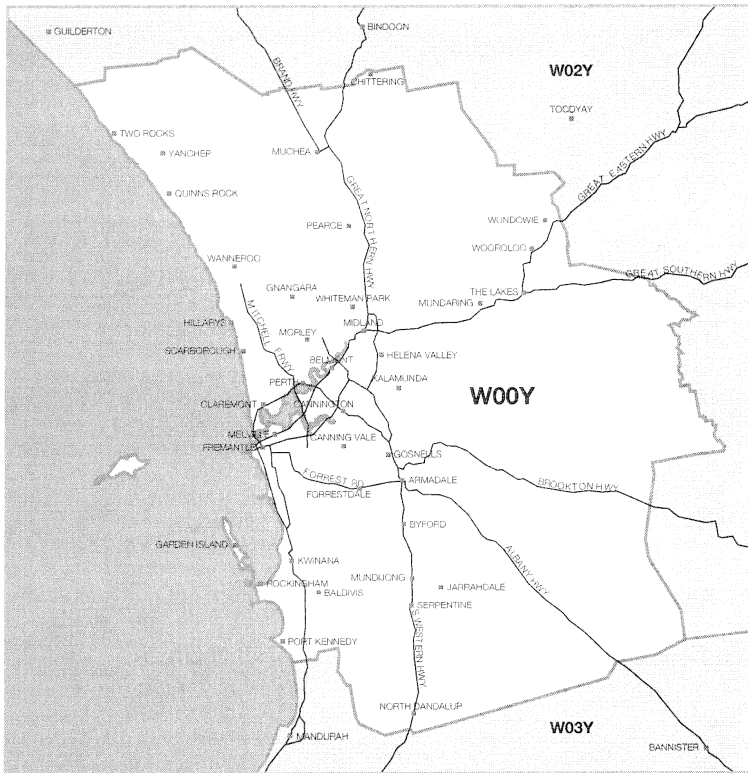
V00Y Melbourne
2005/2006

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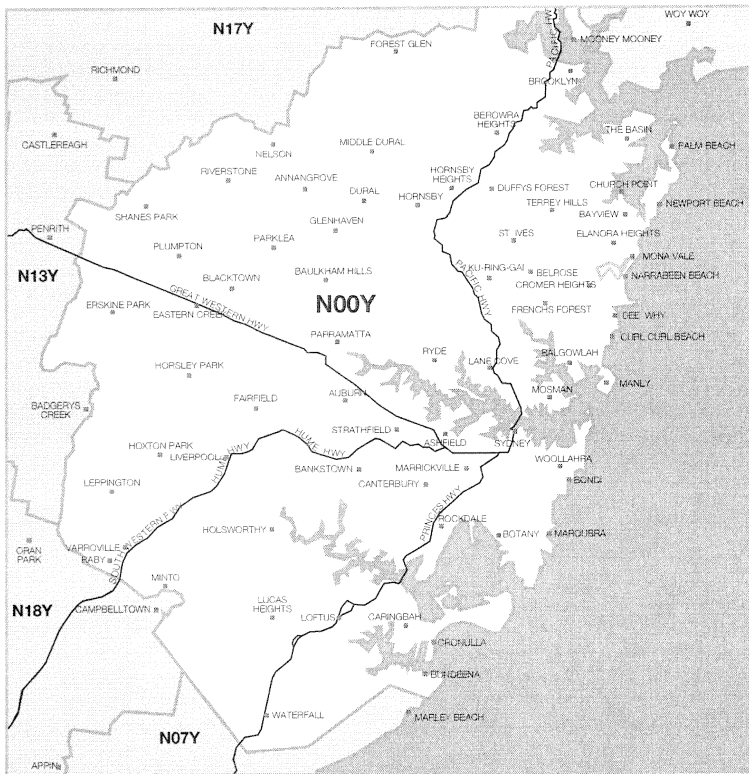
Yellow Pages®

W00Y Perth

2005/2006

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Yellow Pages®

N17Y

RICHMOND

CASTLEREAGH

NELSON

MIDDLE DURAL

RIVERSTONE ANNANGROVE

DURAL

SHANES PARK

GLENHAVEN

PENRITH

PARKLEA

PLUMPTON

N13Y

BLACKTOWN BAULKHAM HILLS

ERSKINE PARK

EASTERN CREEK

N00Y

PARRAMATTA

HORSLEY PARK

FAIRFIELD AUBURN

BADGERYS
CREEK

STRATHFIELD

HOXTON PARK
LIVERPOOL

BANKSTOWN MARRICKVILLE

LEPPINGTON

CANTERBURY

HOLSWORTHY

ORAN
PARK VARROVILLE
RABY

MINTO

N18Y CAMPBELLTOWN

LUCAS
HEIGHTS LOFTUS CARINGBAH

CRONULLA

WATERFALL

N07Y

APPIN

FOREST GLEN

WOY WOY

MOONEY MOONEY

BROOKLYN

BEROWRA
HEIGHTS

THE BASIN

PALM BEACH

HORNSBY
HEIGHTS

HORNSBY

DUFFYS FOREST CHURCH POINT

TERREY HILLS

NEWPORT BEACH

BAYVIEW

ST IVES

ELANORA HEIGHTS

MONA VALE

KU-RING-GAI BELROSE

CROMER HEIGHTS NARRABEEN BEACH

FRENCHS FOREST DEE WHY

CURL CURL BEACH

RYDE LANE COVE BALGOWLAH

MOSMAN MANLY

ASHFIELD SYDNEY

WOOLLAHRA

BONDI

ROCKDALE

BOTANY MAROUBRA

MALEY BEACH

N00Y Sydney

2005/2006

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and search network[1]

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